

# House Republicans want education budget separate from general fund spending plan

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As the state Legislature begins its 2015 session today the hottest issue is expected to be how to fund our K-12 education system.

In its 2012 McCleary decision, the Supreme Court ruled that Washington state was not amply funding basic education under the state Constitution. And that it had to do so or face court sanctions.

With a Democratic governor, a reduced Democratic majority in the House and a slight Republican majority in the Senate, political power is balanced in Olympia and all eyes are on education funding.

A bill being touted as "Fund Education First," would create a separate budget for education—one that does not rely on new tax sources. HB 1001, sponsored by seven Republican representatives, is the latest version of a proposal that has been tossed around Olympia since 2006.

"The premise of the bill is to ensure that we do an education budget that is removed from the politics that go with our budget process," said Rep. Drew MacEwen, R-Union, prime sponsor of the bill.

The six other co-sponsors are: Rep. Jesse Young, R-Gig Harbor; Rep. Dave Hayes, R-Camano Island; Rep. Ed Orcutt, R-Kalama; Rep. Ed Haler, R-Richland; Rep. Linda Kochmar, R-Federal Way; Rep. Mark Hargrove, R-Covington and Rep. Paul Harris, R-Vancouver.

Washington's general fund budget is divided into three: transportation, operating and capital. By separating education from the operating budget, MacEwen says the K-12 budget would be prioritized in a timely fashion that not only fulfills the McCleary mandate, but also give school districts enough time to make staffing decisions.

"They can't plan for the upcoming year until we have finished our budget and signed it into law," MacEwen said. "Sometimes it leaves them with 45 to 60 days to implement and I just think that's a very unfortunate scenario to put our school districts in."

It's uncertain how this proposal will fare against Gov. Jay Inslee's tax package, which is a key component of his funding proposal for K-12 education. However, Republicans say that overall budget reform is necessary to see results.

"If the Legislature decides it needs to create revenue by raising taxes, it can do that, it just can't hold up the process of the K-12 budget by debating the merits of a tax change," MacEwen said.

At a press conference in Olympia on Jan. 8, Senate Ways and Means Committee Chairman Andy Hill, R-Redmond, said the most recent revenue forecast indicates that Washington has an additional \$5 billion that could be spent on K-12 education.

David Schumacher, director of the state Office of Financial Management and Inslee's budget director, says the \$5 billion increase in the proposed budget is necessary. The increase from \$34.4 billion to \$39.4 billion is needed to compensate for what he describes as the overall structural budget problem that Washington faces and does not provide enough for education funding.

Schumacher said almost \$3 billion of the \$5 billion in projected revenue is covered by growth in the budget. In other words, it will cost almost \$3 billion to pay for everything in the underlying budget and to continue doing so in the future.

Schumacher also said that after adding in the cost of state mandated programs like K-12 obligations, funding for mental health, the transportation package, and the recent voter-approved initiative to reduce classroom sizes, the state would still experience a \$2.5 billion shortfall.

House Appropriations Committee Chairman Ross Hunter, D-Medina, also noted that the class-size initiative may have an affect on education budgeting, and that the projected number needed to fulfill the McCleary obligation isn't finalized and could change.

"Our revenues are up 8 percent and we have not changed anything tax wise; this is through sheer economic growth," MacEwen said. "We are in deficit based off of what the governor's office wants to spend, not because of the budget structure."

In the same press conference last week, Inslee responded by saying that "it is difficult for me to see how someone can argue we don't have a deficit in educational funding

when we have a contempt citation for the first time in Washington history against Washington state," referring to the Supreme Court's mandate following its McCleary decision.

Inslee's proposed tax package, which he rolled out in December as part of his 2015-17 biennial budget, will raise a total of \$1.5 billion. It creates a 7 percent tax on capital gains, taxes carbon emissions through the Carbon Pollution Accountability Act, taxes trade-ins of vehicles valued over \$10,000, and adds a 50-cent tax on cigarettes and extends that tax to e-cigarettes and vape products.

Hill strongly voiced his disapproval of Inslee's proposed capital-gains tax, arguing that it's not a reliable source of revenue.

"The capital gains tax is one of the most volatile revenue sources," Hill said. "It goes all over the place and it's very sensitive to federal policy, which we have no control over."

Inslee addressed that concern by saying that 43 other states have already implemented a long-term capital-gains tax that has proven successful in supporting education.

He acknowledged that relying on a capital-gains tax as the only source of financing is a bad idea. Instead, because Washington has various tax systems in place—sales tax, property tax, business-and-occupation tax, and a carbon pollution tax that he plans to implement—the additional tax systems would stabilize and not succumb to volatility.

Inslee said he wants to avoid increasing the tax burden on consumers in order to boost education spending.

"It is the right thing to ask less than 1 percent of Washingtonians to make a contribution when all they have is gains," Inslee said.

Given the state Supreme Court directive that legislators fully fund K-12 education, both parties must address their differences and work together to find a stable funding source for K-12 education, legislators agree.

"I'm not saying my way is the only way," MacEwen said. "I'm open to modifying and making changes to it. But let's get the process going, because doing what we've done hasn't worked."